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Executive Registry
65-2827/A

1 JUN 1965

NSC REVIEW
COMPLETED

The President
The White House
Washington, D. C.

Dear Mr. President:

This letter is in response to a request from your Special Assistant, Mr. Horace Busby, for information on Agency actions which will assure compliance with your memorandum of May 18, 1965, on "June Buying".

As you may know, the unspent portion of this Agency's annual funds lapses into a contingency reserve, rather than being returned to the Treasury, and historically this residual amount at end year has averaged

[redacted] In 1964, for example, about [redacted] was transferred into the reserve. This practice not only assists in maintaining an adequate sum to cover those contingencies which more overt agencies fund through supplemental appropriations, but building up the reserve in this way also reduces the contingency increment we must ask for in new obligational authority. Again by way of illustration, the Agency's 1966 appropriation request included only the relatively small sum of [redacted] in new monies for the reserve. The current outlook is that this year there will again be a sum to transfer into the reserve, although the heavy involvement of this agency in Southeast Asia, and recent emergency actions attendant to the Dominican Republic crisis, may result in less-than-normal carry-over.

I believe that the foregoing description of this Agency's unique situation with respect to "underspending" is essential to an understanding of our policy toward "June buying". In this case, the pressures for wholesale -- and often hasty -- obligations during the closing weeks of the fiscal year are alleviated by the knowledge that the funds will not be "lost", but will be available in the contingency reserve to meet properly justified requirements, with actual release subject to the approval of the Bureau of the Budget.

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Despite this provision for end year carry-over, there has been in this Agency a history of a modest increase in rate of obligations in the closing period of the year. I believe that this increased outlay of funds has been closely monitored, but this year, in view of your high personal interest, my senior officers were instructed to exercise even further vigilance than in the past. In addition, there has recently been an opportunity to brief the new Director of the Budget on this Agency's control systems for regulating obligations, and we were able to demonstrate real progress in obligating against requirements on a straight-line basis across the year -- with particular success evident in the field of R&D contracting. While there is still room for improvement, this spreading of the workload has unquestionably resulted in better contracts and more effective utilization of manpower.

I can assure you that we shall continue to make every effort in the Central Intelligence Agency to prevent unjustified and uneconomical purchasing.

Sincerely,

/s/

W. F. Raborn
Director

WFR

O/BPAM: gmb (1 June 65)

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THE WHITE HOUSE
WASHINGTON

65-2827/1

May 20, 1965

FOR : The Cabinet
Heads of Agencies

FROM : Horace Busby
Special Assistant
to the President

In regard to the attached, it is requested that a report be submitted to the President by June 1 on actions taken within your Department or Agency to assure compliance with the President's Memorandum on "June Buying."

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Your cooperation is appreciated.

65-2827

THE WHITE HOUSE
Washington
May 18, 1965

MEMORANDUM FOR THE CABINET
AND HEADS OF AGENCIES

Subject: June Buying

I am grateful for your cooperation, assistance and leadership in our determined and increasingly successful efforts to eliminate waste from our Federal programs, and to translate the experience, enterprise and initiative of Federal employees into effective savings for the taxpayers.

In accomplishing what has thus far been achieved, many old and ill-considered habits have been responsibly re-examined and successfully challenged to the constructive benefit of more efficient management and operation throughout the Executive Branch. In this context, I want to raise with you the matter of end-of-year spending, commonly referred to as "June Buying."

When an agency speeds up spending in the last few weeks of the Fiscal Year, in the absence of clear and compelling reasons, the practice looks like an attempt to use up funds which otherwise would lapse. We cannot expect our employees to believe that cost reduction efforts are serious if they see evidence of opportunistic spending in the last days of the Fiscal Year. I see nothing at all wrong in returning unused appropriation balances to the Treasury. Last year, we turned back \$805 million when the Fiscal Year ended and I hope that this practice may be the rule, rather than the exception.

I do not want "June Buying" to become a way of circumventing our cost reduction efforts. "June Buying" may be an ancient practice -- but that does not justify it or excuse it. Accordingly, I hope that each of you will personally take whatever steps are necessary to insure that in your Department or agency --

-- Orders for supplies, materials, and equipment are kept to the minimum needed to carry on essential, approved programs.

-- Inventories are held to normal levels.

-- New contracts for future services and advance payments to contractors and vendors are made only in accordance with established plans.

I regard each Department and Agency Head as responsible for maintaining a close personal watch to prevent unjustified or uneconomical purchasing at the end of the Fiscal Year -- and I am sure that you will cooperate to the fullest.


Lyndon B. Johnson